AR86

# CITADEL
Group of Funds

Citadel Diversified Investment Trust

Citadel S-1 Income Trust Fund

Citadel HYTES Fund

Citadel SMaRT Fund

Citadel Premium Income Fund

Series S-1 Income Fund

Income & Equity Index Participation Fund

Energy Plus Income Trust

Citadel Stable S-1 Income Fund

Sustainable Production Energy Trust

Equal Weight Plus Fund

CGF Resource 2006 Flow-Through Limited Partnership

Financial Preferred Securities Corporation

# *Energy Plus Income Trust*

**ANNUAL REPORT 2006**

# *Energy Plus Income Trust*

Energy Plus Income Trust (the "Fund" or "Energy Plus") is a closed-end investment trust which became listed on the Toronto Stock Exchange upon closing of its initial public offering on November 16, 2004. The Fund does not have a fixed termination date but may be terminated at any time upon not less than 90 days written notice to the Administrator with the prior approval of the unitholders of the Fund by special resolution passed at a meeting called for such purpose.

During 2006, Energy Plus paid total cash distributions of $1.20 per unit based on monthly distributions of $0.10 per unit compared to total cash distributions of $1.0602 per unit for 2005. Commencing in January 2006, the Fund increased its monthly distribution to $0.10 per unit from $0.0833 per unit due to improved performance from the Fund's portfolio. In addition, Energy Plus declared a special unit distribution of $0.5471 per unit to unitholders of record on December 31, 2005. The unit distribution was immediately consolidated into the Fund's previously issued and outstanding units.

**INVESTMENT HIGHLIGHTS:**

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| Net Asset Value per Unit [1] | **$ 8.59** | $ 12.49 | $ 9.52 |
| Market Price per Unit [1] | **$ 8.06** | $ 11.72 | $ 9.96 |
| Trading Premium (Discount) | **(6.2%)** | (6.2%) | 4.6% |
| Cash Distributions per Unit [2] | **$ 1.200** | $ 1.0602 | $ 0.095 |
| Trailing Yield [3] | **14.9%** | 9.0% | n/a |
| Market Capitalization ($ millions) | **$ 78.9** | $ 103.5 | $ 111.3 |

[1] Net asset value and market price per unit are based on year end values.

[2] First monthly distribution had a record date of November 30, 2004 and was paid December 15, 2004

[3] Trailing yield is based on the last 12 months cash distributions declared expressed as a percentage of market price.

# *Management Report of Fund Performance*

(March 21, 2007)

This annual report for the years ended December 31, 2006 and 2005 includes both the management report of fund performance, containing financial highlights, and the audited annual financial statements of Energy Plus Income Trust (the "Fund" or "Energy Plus").

Unitholders may contact us by calling toll-free 1-877-261-9674 or by visiting our website at www.citadelfunds.com to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure or quarterly portfolio disclosure.

**INVESTMENT OBJECTIVES AND STRATEGIES**

Energy Plus' investment objectives are to provide investors with monthly cash distributions and to achieve a total return on the portfolio over the term of the Fund that is greater than the total return provided by the S&P/TSX Capped Energy Trust Index over the same period. The investment manager will seek to achieve these objectives by selecting and actively managing a diverse portfolio of oil and gas trusts and other resource-based securities.

## RISK

There are a number of risks associated with an investment in Energy Plus Income Trust. The principal risks include, but are not limited to, market and income risk. Market risk is the exposure to market price changes in the securities held within the portfolio which have a direct effect on the net asset value of the Fund. Income risk arises from a number of factors related to the operational performance of the issuers of the securities held in the Fund's portfolio. These risks include the effects of fluctuations in commodity prices, foreign currency conversion rates and interest rates and include general business operation risks, any of which may affect the issuers' income and as a result reduce distributions to its unitholders and the value of its units. Diversification and active management by the Fund's investment manager of the securities held in the portfolio may reduce these risks.

On October 31, 2006 the Federal Minister of Finance (the "Finance Minister") announced a proposal (the "Trust Taxation Plan") to apply a tax at the trust/partnership level on distributions of certain income from publicly traded mutual fund trusts and partnerships at rates of tax comparable to the combined federal and provincial corporate tax and to treat such distributions as dividends to the unitholders. The Finance Minister said existing trusts and partnerships would have a four-year transition period and generally would not be subject to the new rules until 2011. Until such rules are released in legislative form and passed into law it is uncertain what the impact of such rules will be to Canadian income funds (including publicly traded partnerships) and their investors. However, assuming the Trust Taxation Plan is ultimately enacted in the form proposed, those Canadian income fund issuers in which the Trust invests (other than real estate investment trusts that meet prescribed conditions under the new rules) will be subject to the Trust Taxation Plan commencing in 2011 and the implementation of such proposal would be expected to result in adverse tax consequences to such Canadian income funds and to adversely impact cash distributions from such Canadian income funds to the Trust. Based on the composition of the Trust's Portfolio, it is not expected that the Trust itself would be considered a "specified investment flow-through" under the Trust Taxation Plan, and therefore it is expected that the Trust itself will continue not to be directly liable for any material amount of income tax.

## RESULTS OF OPERATIONS

During 2006, the oil and gas sector experienced significant volatility as oil and natural gas prices retreated, followed by further portfolio devaluations created by the Government's Trust Taxation Plan in the last quarter of the year. Despite the net proceeds from a rights offering of $23.7 million in February 2006, the Fund's net assets decreased from $110.2 million at December 31, 2005 to $84.1 million at December 31, 2006. On a per unit basis, net asset value fell to $8.65 per unit at December 31, 2006 from $12.49 per unit at the end of 2005 as a result of portfolio valuations declining over the period and the dilutive effect of the rights offering.

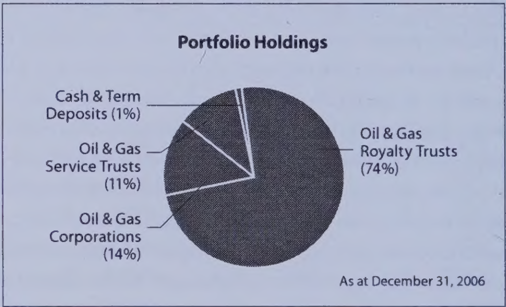
The Fund's market price also declined over the year, closing at $8.06 per unit at December 31, 2006, down from $11.72 per unit at the end of 2005. Energy Plus' unit price decline plus monthly cash distributions produced a negative 21.0% total return for 2006, while the Fund generated a negative 21.0% total return on a net asset value basis. By comparison, the S&P/TSX Energy Trust Index decreased by 3.7% over the same period.

Total revenue for 2006 declined to $11.5 million from $13.8 million in 2005 due primarily to a lower asset base in 2006 caused by the 2005 year end redemption. Administrative and investment manager fees, which are paid in units and calculated in reference to the Fund's net asset value, totaled $1.37 million in 2006 compared to $1.40 million for the same period in the previous year due to slightly lower net asset value in 2006. Trailer fees, which are also calculated in reference to the Fund's net asset value, remained consistent year over year at $0.46 million. The Fund utilized varying levels of leverage throughout the year, with loan interest of $0.82 million in 2006 compared to $0.41 million in 2005. At year end 2006, the Fund maintained leverage of $16.5 million (2005 – nil). General and administrative costs, including other expenses, totaled $0.32 million in 2006 which was down from $0.40 million in 2005. After total expenses of $3.0 million (2005 - $2.7 million), the Fund generated net investment income of $8.5 million or $0.80 per unit in 2006. By comparison, net investment income was $11.1 million or $1.00 per unit for the same period in 2005.

The Fund realized gains of $0.6 million on the sale of investments as activity within the portfolio remained high throughout 2006. With the surging oil & gas sector in 2005, the Fund realized $17.1 million in gains. However the Fund experienced unrealized losses of $35.0 million because of the strong pullback in the last half of 2006, a sharp contrast to the unrealized gains of $16.0 million in 2005. The large unrealized losses in 2006 contributed to the Fund generating negative results of operations totaling $25.9 million or negative $2.42 per unit. Comparatively, results of operations totaled $44.2 million or $3.96 per unit in 2005.

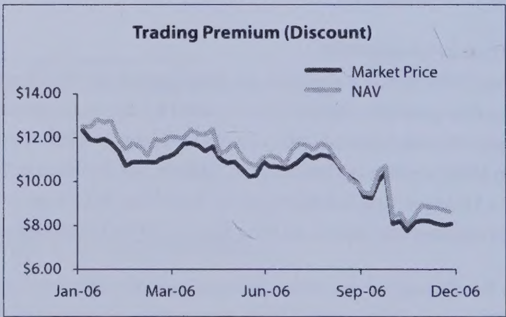
During 2006, Energy Plus paid monthly cash distributions of $0.10 per unit for a total of $12.8 million or $1.20 per unit compared to $16.3 million or $1.0602 per unit in 2005. Effective January 1, 2006, the Fund increased its monthly distribution rate from $0.0833 per unit to $0.10 per unit. In addition, Energy Plus declared a special unit distribution of $0.5471 per unit to unitholders of record on December 31, 2005. The unit distribution was immediately consolidated into the Fund's previously issued and outstanding units.

Energy Plus uses leverage as part of its investment strategy. During 2006, the maximum borrowings were $20.0 million while the minimum amount drawn was nil. The Fund maintains a credit facility with a maximum of $25.0 million.




The Fund's portfolio mix has remained materially consistent despite significant portfolio turnover during the year. Overall, the Fund enhanced its exposure to the oil & gas corporations while reducing its other resource securities and cash positions.

**TRADING PREMIUM / DISCOUNT TO NET ASSET VALUE**




During 2006, the Fund's market price traded at an average discount to its net asset value per unit of 4.6% compared to an average discount of 2.9% in 2005. With the widening discount, Energy Plus repurchased 453,100 units at an average cost of $10.27 in 2006 under its mandatory repurchase program compared to 274,200 units at an average cost of $11.07 per unit in 2005. Under the Fund's mandatory repurchase program, the Fund is obligated to repurchase units offered for sale at a discount to net asset value of greater than 5%, subject to 1.25% per quarter of the units outstanding.

Unitholders have a right to redeem their units on an annual basis in December of each year for net asset value less applicable associated costs. On December 28, 2006, unitholders redeemed a total of 964,787 units for a total redemption amount of $8.3 million or $8.56 per unit. On December 29, 2005, a total of 2,242,825 units were redeemed for $27.6 million or $12.32 per unit.

**RECENT DEVELOPMENTS**

On February 15, 2007, Energy Plus announced a rights offering in which unitholders of record on February 26, 2007 received one right for each trust unit held. Three rights entitled the holder to purchase one trust unit for a price of $7.00. If the offering is fully subscribed, the Fund would issue 3,254,801 trust units for net proceeds of $22.2 million.

Throughout 2006, the energy trust sector experienced pronounced periods of volatility as commodity prices rose and fell in addition to the valuation destruction created by the Government's Trust Taxation Plan. Despite the

current unsettled market conditions, the Fund's investment manager feels all negative news has been priced into the trust sector and as a result is optimistic about the opportunities to generate strong returns for the Fund in 2007. In addition, the investment manager expects natural gas prices to strengthen given record drawdowns from storage and continued strong demand, therefore has weighted the portfolio towards natural gas. Based upon the Fund's current portfolio and analysts' estimates of distributions, Energy Plus has lowered its monthly distribution rate back to its previous level of $0.0833 per unit from $0.10 per unit for 2007.

**Investment Fund Governance Legislation**

During 2006, Canadian securities regulators passed legislation requiring independent oversight over the management of Canadian investment funds. National Instrument 81-107 Independent Review Committee for Investment Funds ("NI 81-107") came into effect on November 1, 2006. Under NI 81-107, an Independent Review Committee ("IRC") is required to be established by May 1, 2007. The main responsibility of the IRC is to govern over perceived conflicts of interest between investment funds, their managers and related third parties. Policies and procedures are to be adopted no later than November 1, 2007 and investment funds must be in full compliance of NI 81-107 at that time. Energy Plus continues to research and develop its IRC and expects to meet each implementation date requirement.

**New CICA Financial Instrument Standard**

The Canadian Institute of Chartered Accountants has recently issued Section 3855, "Financial Instruments – Recognition and Measurement". Of importance to investment funds are new definitions and requirements for determining the fair value of financial instruments, particularly investments. Since current securities regulations require that investment funds calculate Net Asset Value ("NAV") in accordance with Generally Accepted Accounting Principles ("GAAP"), This new standard impacts the way in which net asset value is determined. For securities quoted on an open market, the new standard requires the use of bid prices for an asset held as opposed to the closing prices currently used. Bid prices are normally less than closing prices which will result in lower net asset values. Currently, transaction costs such as broker fees are added to the cost base of investments purchased and deducted from the proceeds of investments sold. The new standard requires that these costs be expensed. Although this does not affect the overall NAV, it will increase expenses and the management expense ratio. The new standard is effective January 1, 2007 for Energy Plus. Canadian securities regulators have been granted relief from the requirement to calculate NAV for purposes other than financial statements in accordance with this standard, allowing them and investment fund managers the opportunity to further study the issue. This relief is in effect until the earlier of September 30, 2007 and the date on which legislation with respect to calculating NAV for purposes other than financial statements is changed. Until that time, Energy Plus intends to calculate NAV under the old method, specifically using closing rather than bid prices, for all purposes other than financial statements.

## FORWARD LOOKING STATEMENTS

This document contains certain forward looking statements that involve substantial known and unknown risks and uncertainties, some of which are beyond our control, including the impact of general economic conditions in Canada and the United States, industry conditions, changes in laws and regulations, including the Canadian Income Tax Act, fluctuations in interest rates, commodity prices and foreign exchange, stock market volatility, and market valuations of income and royalty trusts. Our actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward looking statements and, accordingly, no assurances can be given that any of these events anticipated by the forward looking statements will transpire or occur, or if any of them do, what benefits, including the amount of proceeds, that we will derive therefrom.

## RELATED PARTY TRANSACTIONS

N.A. Energy Management Inc. ("NAEM") is the administrator of Energy Plus, which is a member of the Citadel Group of Funds. CIFSG Funds Inc. provides administrative services to the administrators of the Citadel Group of Funds on a cost recovery basis. All non-fund specific costs are allocated among the Citadel Group of Funds on a relative net asset value basis.

Pursuant to the administrative services agreement, total annual administrative and investment management fees are based upon 1.1% of the aggregate average weekly net asset value of the Fund, payable in units monthly in arrears. The administrator is also reimbursed for all general and administrative expenses that relate to the operation of the Fund.

## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help the reader understand the Fund's financial performance. This information is derived from the Fund's audited annual financial statements for each year since inception to December 31, 2006.

### Net Asset Value (NAV) per Unit

| | 2006 | 2005 | 2004[1] |
|---|---|---|---|
| NAV, beginning of year | **$ 12.49** | $ 9.52 | $ 9.40 |
| Increase (decrease) from operations: | | | |
| Total revenue | **1.08** | 1.24 | 0.11 |
| Total expenses | **(0.28)** | (0.24) | (0.03) |
| Realized gains (losses) | **0.06** | 1.53 | 0.03 |
| Unrealized gains (losses) | **(3.28)** | 1.43 | 0.09 |
| Total increase (decrease) from operations | **(2.42)** | 3.96 | 0.20 |
| Distributions: | | | |
| From net investment income | **0.93** | 1.06 | 0.08 |
| From capital gains | **0.06** | – | 0.02 |
| Return of capital | **0.21** | – | – |
| Total cash distributions | **1.20** | 1.06 | 0.10 |
| NAV, end of year | **$ 8.59** | $ 12.49 | $ 9.52 |

**[1] The Fund commenced operations on November 16, 2004.**

Net asset value ("NAV") and cash distributions are based on the actual number of units outstanding at the time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the financial period. This schedule is not a reconciliation of NAV since it does not reflect unitholder transactions as shown on the Statement of Changes in Net Assets and accordingly columns may not add.

At year end 2005, the Fund also declared a special year end unit distribution which is not reflected above. The unit distribution was immediately consolidated into the Fund's previously issued and outstanding units and as a result there was no impact to the net asset value per unit.

### Ratios and Supplemental Data

| | 2006 | 2005 | 2004 |
|---|---|---|---|
| Net assets ($ 000's) | **$ 84,081** | $ 110,220 | $ 106,406 |
| Number of units outstanding | **9,788,710** | 8,826,861 | 11,171,679 |
| Management expense ratio | **2.56%** | 2.21% | 1.80% |
| Portfolio turnover ratio | **105.64%** | 133.11% | 7.18% |
| Trading expense ratio | **0.68%** | 0.87% | 1.71% |
| Closing market price | **$ 8.06** | $ 11.72 | $ 9.96 |

Management expense ratio is based on total expenses for the period and is expressed as an annualized percentage of weekly average net assets during the period.

Portfolio turnover ratio is based on the lesser of cost of purchases or proceeds of disposition and is expressed as a percentage of the monthly average portfolio value. The portfolio turnover rate indicates how actively the Fund's investment manager manages the portfolio investments. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

Trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of weekly average net assets during the period.

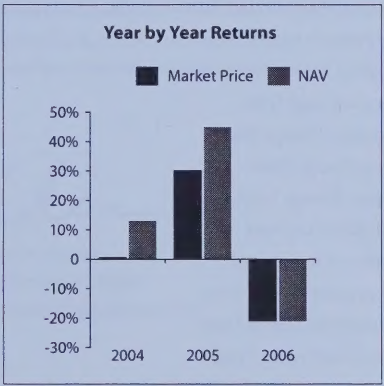
### MANAGEMENT FEES

Pursuant to the administrative services agreement, total annual administrative and investment management fees are based upon 1.1% of the aggregate average weekly net asset value of the Fund, payable in units monthly in arrears. Galileo Equity Management Inc., as investment manager to the Fund, provides investment management services to the Fund in exchange for its share of the management fee. These fees represent payment for the administrative and investment management services provided to the Fund.

### PAST PERFORMANCE

Energy Plus' performance numbers represent the annual compound total returns over the period from inception in November 2004 to December 31, 2006 (except for returns of less than one year which are compound total returns). Total returns are based upon both the Fund's change in market price and net asset value plus the reinvestment of all distributions in additional units of the Fund.

Returns do not take into account sales, redemptions or income taxes payable that would have reduced returns. Past performance of the Fund does not necessarily indicate how it will perform in the future.




### ANNUAL COMPOUND RETURNS

In the table below are the annual compound returns for Energy Plus based on market price and net asset value with comparison to the S&P/TSX Capped Income Trust Index for the periods indicated to December 31, 2006.

| | 1 Year | Since inception |
|---|---|---|
| Energy Plus (market price) | (20.97%) | 1.58% |
| Energy Plus (net asset value) | (20.97%) | 7.78% |
| S&P/TSX Capped Energy Trust Index | (3.72%) | 15.18% |

**SUMMARY OF INVESTMENT PORTFOLIO**

As at December 31, 2006

Net Assets: $84,080,767

| Portfolio by Sector | % of Net Assets |
|---|---|
| Oil & Gas Royalty Trusts | **90.0%** |
| Oil & Gas Corporations | **17.4%** |
| Oil & Gas Service Trusts | **13.3%** |
| Cash and Term Deposits | **1.0%** |
| Liabilities, net of other assets | **(21.7%)** |
| Total Net Assets | **100.0%** |

**TOP 25 HOLDINGS (as a % of net assets)**

| | | | |
|---|---|---|---|
| Crescent Point Energy Trust | 10.0% | Trilogy Energy Trust | 3.3% |
| Bonavista Energy Trust | 10.0% | Western Prospector Group Ltd. | 3.2% |
| Progress Energy Trust | 8.9% | High Arctic Energy Services Trust | 3.2% |
| Baytex Energy Trust | 8.7% | HighPine Oil & Gas Ltd. | 2.8% |
| Vermilion Energy Trust | 7.7% | Trinidad Energy Services Income Trust | 2.4% |
| Focus Energy Trust | 7.5% | CCS Income Trust | 2.2% |
| Zargon Energy Trust | 7.3% | Denison Mines Corp. | 1.8% |
| NAL Oil & Gas Trust | 6.7% | Khan Resources Inc. | 1.8% |
| Fairborne Energy Ltd. | 6.2% | Paladin Resources Ltd. | 1.5% |
| Paramount Energy Trust | 4.8% | Crew Energy Inc. | 1.5% |
| Daylight Resources Trust | 4.2% | Deepwell Energy Services Trust | 1.4% |
| PennWest Energy Trust | 4.2% | Bankers Petroleum Ltd. | 1.2% |
| Mullen Group Income Fund | 4.0% | | |

The summary of investment portfolio may change due to ongoing portfolio transactions. Quarterly updates are available at www.citadelfunds.com.

# *Management's Responsibility Statement*

The financial statements of Energy Plus Income Trust have been prepared by N.A. Energy Management Inc. ("NAEM") and approved by the Board of Directors of NAEM. NAEM is responsible for the information and representations contained in these financial statements and the other sections of the annual report.

NAEM maintains appropriate procedures to ensure that relevant and reliable financial information is produced. These statements have been prepared in accordance with accounting principles generally accepted in Canada and include certain amounts that are based on estimates and judgments. The significant accounting policies applicable to the Trust are described in Note 2 to the financial statements.

The Board of Directors of NAEM is responsible for ensuring that management fulfills its responsibilities for financial reporting and has reviewed and approved these financial statements. The Board carries out this responsibility through the Audit Committee, which is comprised of the independent directors of the Board.

The Audit Committee on behalf of NAEM and its Board of Directors has appointed the external audit firm of PricewaterhouseCoopers LLP. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to unitholders their opinion on the financial statements. The auditors have full and unrestricted access to the Audit Committee to discuss their findings.

James T. Bruvall
Chief Executive Officer
N.A. Energy Management Inc.
March 21, 2007

Darren K. Duncan
Chief Financial Officer
N.A. Energy Management Inc.

# *Auditors' Report to Unitholders*

To the Unitholders of Energy Plus Income Trust

We have audited the statements of net assets and investments of Energy Plus Income Trust as at December 31, 2006 and 2005, and the statements of operations, changes in net assets and cash flows for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of management of the Fund's Administrator. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets and investments of the Fund as at December 31, 2006 and 2005 and the results of its operations, the changes in its net assets and cash flows for the years ended December 31, 2006 and 2005 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP
Chartered Accountants
Calgary, Alberta
March 21, 2007

# *Statement of Net Assets*

| As at December 31, | 2006 | 2005 |
|---|---|---|
| **Assets** | | |
| Investments, at market | **$ 101,562,223** | $ 125,965,930 |
| Cash and term deposits | **818,172** | 4,538,704 |
| Receivable from investments sold | **6,343,867** | 7,223,860 |
| Revenue receivable | **941,528** | 1,345,572 |
| Accounts receivable | **252,794** | 172,217 |
| Prepaid expenses | **56,037** | 87,987 |
| | **109,974,621** | 139,334,270 |
| **Liabilities** | | |
| Redemption payable | **8,258,577** | 27,631,604 |
| Distributions payable | **978,871** | 1,324,029 |
| Accounts payable and accrued liabilities | **103,096** | 105,922 |
| Payable for investments purchased | **53,310** | 52,806 |
| Loan payable | **16,500,000** | – |
| | **25,893,854** | 29,114,361 |
| Net Assets representing Unitholders' Equity | **$ 84,080,767** | $ 110,219,909 |
| Units outstanding (note 3) | **9,788,710** | 8,826,861 |
| Net asset value per unit | **$ 8.59** | $ 12.49 |

*see accompanying notes*

Signed on behalf of the Board,

Harold P. Milavsky
Chairman of the Board

James T. Bruvall
Director and Chief Executive Officer

# *Statement of Operations*

| For the years ended December 31 | 2006 | 2005 |
|---|---|---|
| **Revenue** | | |
| Distribution income | $ 11,447,018 | $ 13,777,376 |
| Interest income | 48,894 | 34,231 |
| | 11,495,912 | 13,811,607 |
| **Expenses** | | |
| Administrative and investment manager fees (note 4) | 1,370,698 | 1,409,707 |
| Trailer fee (note 5) | 469,492 | 464,389 |
| Loan interest | 817,843 | 414,512 |
| General and administration costs | 134,866 | 208,949 |
| Directors' fees | 73,733 | 84,468 |
| Reporting costs | 32,737 | 28,949 |
| Custodial fees | 24,031 | 23,454 |
| Audit fees | 22,122 | 23,199 |
| Trustee fees | 20,980 | 20,389 |
| Legal fees | 16,041 | 6,560 |
| | 2,982,543 | 2,684,576 |
| **Net investment income** | 8,513,369 | 11,127,031 |
| **Net realized gain on sale of investments** (note 6) | 603,596 | 17,092,107 |
| **Net change in unrealized gain (loss) on investments** | (35,035,832) | 16,018,884 |
| **Total results of operations** | $ (25,918,867) | $ 44,238,022 |
| **Results of operations per unit** [1] | | |
| Net investment income | $ 0.80 | $ 1.00 |
| Net realized gain on sale of investments | 0.06 | 1.53 |
| Net change in unrealized gain (loss) on investments | (3.28) | 1.43 |
| | $ (2.42) | $ 3.96 |

[1] Based on the weighted average number of units outstanding.

*see accompanying notes*

# *Statement of Changes in Net Assets*

| For the years ended December 31, | | 2006 | | 2005 |
|---|---|---|---|---|
| **Net Assets – beginning of year** | $ | **110,219,909** | $ | 106,406,201 |
| Operations: | | | | |
| Net investment income | | **8,513,369** | | 11,127,031 |
| Net realized gain on sale of investments | | **603,596** | | 17,092,107 |
| Net change in unrealized gain (loss) on investments | | **(35,035,832)** | | 16,018,884 |
| | | **(25,918,867)** | | 44,238,022 |
| Unitholder Transactions: (note 3) | | | | |
| Issuance of trust units, net | | **25,458,068** | | 6,583,655 |
| Redemption of trust units | | **(8,258,577)** | | (27,631,604) |
| Repurchase of trust units | | **(4,655,064)** | | (3,034,481) |
| | | **12,544,427** | | (24,082,430) |
| Distributions to Unitholders: (note 7) | | | | |
| From net investment income | | **(9,855,757)** | | (12,507,012) |
| From capital gains | | **(603,596)** | | (3,834,872) |
| Return of capital | | **(2,305,349)** | | – |
| | | **(12,764,702)** | | (16,341,884) |
| **Net Assets – end of year** | $ | **84,080,767** | $ | 110,219,909 |
| **Distributions per unit** | | **$ 1.20** | | $ 1.6073 |

*see accompanying notes*

# *Statement of Cash Flows*

| For the years ended December 31, | | 2006 | | 2005 |
|---|---|---|---|---|
| **Cash flows from operating activities:** | | | | |
| Net investment income | $ | **8,513,369** | $ | 11,127,031 |
| Fees paid in trust units | | **1,342,388** | | 1,379,981 |
| Net change in non-cash working capital | | **(18,539,774)** | | 19,933,777 |
| Purchase of investments | | **(150,824,265)** | | (184,997,166) |
| Proceeds from sale of investments | | **140,795,734** | | 172,395,454 |
| | | **(18,712,546)** | | 19,839,077 |
| **Cash flows from financing activities:** | | | | |
| Proceeds from issuance of trust units, net | | **23,649,095** | | (13,113) |
| Proceeds from distribution reinvestment plan | | **521,262** | | 387,769 |
| Increase in loan payable | | **16,500,000** | | – |
| Cash distributions to unitholders | | **(12,764,702)** | | (11,512,856) |
| Redemption of trust units | | **(8,258,577)** | | (27,631,604) |
| Repurchase of trust units | | **(4,655,064)** | | (3,034,481) |
| | | **14,992,014** | | (41,804,285) |
| **Net increase (decrease) in cash and term deposits** | | **(3,720,532)** | | (21,965,208) |
| **Cash and term deposits, beginning of year** | | **4,538,704** | | 26,503,912 |
| **Cash and term deposits, end of year** | $ | **818,172** | $ | 4,538,704 |

*see accompanying notes*

# Statement of Investments

| | December 31, 2006 | | | | December 31, 2005 | | | |
|---|---|---|---|---|---|---|---|---|
| | *Number of Units Held* | Cost | Market Value | % of Market | *Number of Units Held* | Cost | Market Value | % of Market |
| **Oil & Gas Royalty Trusts** | | | | | | | | |
| Baytex Energy Trust | *330,000* | $ 7,469,899 | $ 7,352,400 | | *–* | $ – | $ – | |
| Bonavista Energy Trust | *300,000* | 9,329,924 | 8,445,000 | | *250,000* | 7,181,038 | 9,525,000 | |
| Crescent Point Energy Trust | *480,000* | 9,145,640 | 8,448,000 | | *300,000* | 5,475,518 | 6,204,000 | |
| Daylight Energy Trust | *350,000* | 4,893,694 | 3,573,500 | | *731,600* | 7,627,462 | 9,093,788 | |
| Fairborne Energy Trust | *500,000* | 5,827,209 | 5,225,000 | | *500,000* | 5,628,115 | 8,250,000 | |
| Focus Energy Trust | *350,000* | 7,380,866 | 6,363,000 | | *300,000* | 6,317,216 | 7,716,000 | |
| Ketch Resources Trust | *–* | – | – | | *433,900* | 5,910,888 | 4,877,036 | |
| NAL Oil & Gas Trust | *460,000* | 7,541,174 | 5,662,600 | | *300,000* | 4,219,835 | 5,424,000 | |
| Paramount Energy Trust | *325,000* | 6,062,090 | 4,030,000 | | *350,000* | 5,813,659 | 7,759,500 | |
| PennWest Energy Trust | *100,000* | 3,967,462 | 3,557,000 | | *90,000* | 3,369,054 | 3,419,100 | |
| Progress Energy Trust | *600,000* | 8,782,816 | 7,542,000 | | *600,000* | 8,408,417 | 10,302,000 | |
| Trilogy Energy Trust | *245,000* | 4,890,508 | 2,793,000 | | *400,000* | 8,103,375 | 9,520,000 | |
| Vault Energy Trust | *–* | – | – | | *650,000* | 8,076,697 | 7,410,000 | |
| Vermilion Energy Trust | *186,000* | 5,913,210 | 6,510,000 | | *–* | – | – | |
| Zargon Energy Trust | *250,000* | 6,821,933 | 6,197,500 | | *175,000* | 4,416,397 | 5,556,250 | |
| | | 88,026,425 | 75,699,000 | 73.9% | | 80,547,671 | 95,056,674 | 72.8% |
| **Oil & Gas/Service Corporations** | | | | | | | | |
| Bankers Petroleum Ltd. | *1,600,000* | 1,817,892 | 1,040,000 | | *1,000,000* | 1,407,918 | 1,410,000 | |
| Crew Energy Inc. | *100,000* | 1,544,650 | 1,230,000 | | *–* | – | – | |
| Cyries Energy Inc. | *–* | – | – | | *93,600* | 1,505,653 | 1,404,936 | |
| Denison Mines Corp. | *130,000* | 957,966 | 1,534,000 | | *–* | – | – | |
| Fairquest Energy Ltd. | *–* | – | – | | *125,000* | 954,933 | 1,038,750 | |
| Falcon Oil & Gas Ltd. | *–* | – | – | | *1,084,900* | 744,037 | 683,487 | |
| Highpine Oil & Gas Ltd. | *150,000* | 3,291,034 | 2,355,000 | | *–* | – | – | |
| Horizon North Logistics Inc. | *5,000* | 16,250 | 17,800 | | *–* | – | – | |
| International Frontier Resources Corp. | *–* | – | – | | *200,000* | 408,160 | 400,000 | |
| Khan Resources Inc. | *402,300* | 1,121,516 | 1,480,464 | | *–* | – | – | |
| Leader Energy Services Ltd. | *–* | – | – | | *203,300* | 856,505 | 884,355 | |
| Midnight Oil Exploration Ltd. | *400,000* | 1,652,200 | 948,000 | | *371,400* | 1,574,724 | 1,641,588 | |
| Open Range Energy Corp. | *–* | – | – | | *120,000* | 372,000 | 570,000 | |
| Paladin Resources Ltd. | *157,000* | 799,028 | 1,251,290 | | *–* | – | – | |
| ProEx Energy Ltd. | *78,500* | 1,154,495 | 1,008,725 | | *123,500* | 2,100,920 | 2,025,400 | |
| QGX Ltd. | *–* | – | – | | *275,000* | 1,201,349 | 1,155,000 | |
| Savanna Energy Services Corp. | *–* | – | – | | *30,000* | 831,752 | 858,000 | |
| Steeplejack Industrial Group Inc. | *–* | – | – | | *120,000* | 854,419 | 852,000 | |
| Strateco Resources Inc. | *400,000* | 1,152,398 | 1,020,000 | | *–* | – | – | |
| TG World Energy Corp. | *–* | – | – | | *325,000* | 385,414 | 331,500 | |
| Western Prospector Group Ltd. | *500,000* | 1,925,519 | 2,725,000 | | *450,000* | 1,810,324 | 2,250,000 | |
| | | 15,432,948 | 14,610,279 | 14.3% | | 15,008,108 | 15,505,016 | 11.9% |
| **Oil & Gas Service Trusts** | | | | | | | | |
| Builders Energy Services Trust | *–* | – | – | | *150,000* | 2,532,484 | 2,805,000 | |
| CCS Income Trust | *50,000* | 1,770,700 | 1,887,500 | | *20,500* | 528,672 | 758,500 | |
| Deep Well Energy Services Trust | *160,000* | 1,705,178 | 1,184,000 | | *–* | – | – | |
| High Arctic Energy Services Trust | *450,000* | 5,325,183 | 2,709,000 | | *400,000* | 4,897,564 | 5,140,000 | |
| Mullen Group Income Fund | *179,200* | 5,206,059 | 3,349,248 | | *–* | – | – | |
| Phoenix Technology Income Fund | *–* | – | – | | *200,000* | 1,737,070 | 1,902,000 | |
| Trinidad Energy Services Income Trust | *150,000* | 2,092,469 | 2,070,000 | | *300,000* | 3,675,800 | 4,746,000 | |
| | | 16,099,589 | 11,199,748 | 10.9% | | 13,371,590 | 15,351,500 | 11.7% |
| Energy Plus units – repurchased for cancellation | *6,600* | 53,310 | 53,196 | 0.1% | *4,500* | 52,776 | 52,740 | 0.1% |
| **Investments** | | 119,612,272 | 101,562,223 | 99.2% | | 108,980,145 | 125,965,930 | 96.5% |
| **Cash and Term Deposits** | | 818,172 | 818,172 | 0.8% | | 4,538,704 | 4,538,704 | 3.5% |
| **Total** | | $ 120,430,444 | $ 102,380,395 | 100.0% | | $ 113,518,849 | $ 130,504,634 | 100.0% |

All of the oil & gas royalty trusts and oil & gas service trusts are trust units, while all of the oil & gas corporations and service corporations are common shares.

# *Notes to Financial Statements*

December 31, 2006 and 2005

**1. STRUCTURE OF THE FUND**

Energy Plus Income Trust (the "Fund" or "Energy Plus") is a closed-end investment trust established under the laws of Alberta pursuant to a Declaration of Trust dated as of September 23, 2004. The Fund commenced operations upon completion of its initial public offering on November 16, 2004. The Fund does not have a fixed termination date but may be terminated at any time upon not less than 90 days written notice to the Administrator with the prior approval of the unitholders of the Fund by special resolution passed at a meeting called for such purpose.

**2. SIGNIFICANT ACCOUNTING POLICIES**

These financial statements, prepared in accordance with Canadian generally accepted accounting principles, include estimates and assumptions by management that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the period. Actual results may differ from these estimates. The following is a summary of the significant accounting policies.

**(a) Cash and cash equivalents**

Cash consists of cash on hand and short term bankers' acceptances with maturities of less than 90 days on acquisition.

**(b) Valuation of investments**

Investments are stated at market values based on closing market quotations. Average cost is used to compute realized and unrealized gains or losses on investments. Investment transactions are recorded on the trade date.

**(c) Canadian income taxes**

The Fund qualified as a unit trust within the meaning of the Income Tax Act (Canada). Provided the Fund distributes to its unitholders its net income for tax purposes, the Fund will not generally be liable for income tax under Part 1 of the Income Tax Act (Canada). As all taxable income was allocated to unitholders in 2006 and 2005, no provision for income taxes has been made in these financial statements.

**(d) Investment income**

Dividend income is recorded on the ex-dividend date, interest is recognized as earned and distribution income is recorded on the ex-distribution date. Capital gains and losses are recognized on the trade date.

**(e) Financial instruments**

The fair values of the Fund's financial instruments which are comprised of cash and term deposits, revenue receivable, accounts receivable, receivable from investments sold, prepaid expenses, accounts payable and accrued liabilities, payable for investments purchased, distributions payable, redemptions payable and loan payable approximate their carrying amount due to the short-term maturity of these instruments.

### 3. UNITHOLDERS' CONTRIBUTION

**Authorized**

The authorized capital of the Fund consists of an unlimited number of trust units which are transferable redeemable units of beneficial interest.

| **Issued and outstanding** | **December 31, 2006** | | December 31, 2005 | |
|---|---|---|---|---|
| | **Number** | **Amount** | Number | Amount |
| Trust units – beginning of year | **8,826,861** | **$ 81,125,894** | 11,171,679 | $ 105,208,324 |
| Issued for services (note 4) | **122,687** | **1,287,711** | 135,116 | 1,379,971 |
| Issued under DRIP | **50,334** | **521,262** | 37,091 | 387,769 |
| Issuance of trust units, net | **2,206,715** | **23,649,095** | – | (13,113) |
| Repurchase and redemption of trust | **(1,417,887)** | **(12,913,641)** | (2,517,025) | (30,666,085) |
| Unit distribution and consolidation | **–** | **–** | – | 4,829,028 |
| Trust units – end of year | **9,788,710** | **$ 93,670,321** | 8,826,861 | $ 81,125,894 |

The weighted average number of units outstanding for the year ended December 31, 2006 was 10,694,320 units (2005 – 11,179,749 units).

On February 6, 2006, the Fund closed a rights offering which resulted in the issuance of 2,206,715 trust units for net proceeds of $23.7 million. Each unitholder of record on January 9, 2006 received one right for each trust unit held. Four rights entitled the holder to purchase one trust unit for a price of $10.85.

The Fund has a mandatory repurchase program whereby units offered for sale at a discount to the Fund's net asset value per unit of greater than 5% are repurchased for cancellation, subject to a maximum of 1.25% in each calendar quarter of the total number of units outstanding at the beginning of each such quarter. For the year months ended December 31, 2006, the Fund repurchased 453,100 units at an average cost of $10.27 per unit under this program (2005 – 274,200 units at an average cost of $11.07 per unit).

Unitholders have the right to redeem their units on an annual basis in December of each year. The redemption value is net asset value less the costs of and associated with selling sufficient investments to meet the redemption amount. In December 2006, unitholders redeemed a total of 964,787 trust units at a redemption value of $8.56 per unit for a total of $8.3 million. In December 2005, unitholders redeemed a total of 2,242,825 trust units at a redemption value of $12.32 per unit for a total of $27.6 million.

Unitholders of Energy Plus can acquire additional units by participating in the Distribution Reinvestment Plan ("DRIP"). The DRIP enables unitholders to reinvest their monthly distributions in additional units of the Fund at the 5 day weighted average market price of the Fund's units. For the year ended December 31, 2006, a total of 50,334 units (2005 – 37,091 units) were issued under the DRIP.

Energy Plus declared a special distribution of $0.5471 per unit to unitholders of record on December 31, 2005, which was payable in units of the Fund. The unit distribution was immediately consolidated into the fund's previously issued and outstanding units.

### 4. ADMINISTRATIVE AND INVESTMENT MANAGER/DIRECTORS' FEES

N.A. Energy Management Inc. ("NAEM") is the administrator of the Fund and Galileo Equity Management Inc. is the investment manager of the Fund. Pursuant to the administrative services and investment management agreements, total annual administrative and investment manager fees are based upon 1.1% of the aggregate average weekly net asset value of the Fund, payable in units monthly in arrears. For the year ended December 31, 2006, the Fund issued 122,687 trust units and recorded an expense of $1,370,698 in respect of the administrative and investment management fees during the period (2005 – 129,265 units for a total expense of $1,409,707). The administrative services agreement also provides for the reimbursement of certain expenses incurred by the administrator during the performance of its duties. As at December 31, 2006, included in accounts receivable were amounts owed from NAEM of $252,794 (2005 - $172,217 in accounts receivable).

Directors of NAEM received a total of $62,500 cash in 2006 (2005 – 5,851 units) as payment for their annual retainers.

**5. TRAILER FEE**

Energy Plus pays a trailer fee to investment dealers calculated and payable quarterly in arrears at an annual rate of 0.40% of the net asset value of the Fund held by unitholders in accounts with investment dealers. For the year ended December 31, 2006, the Fund recorded an expense of $469,492 (2005 - $464,389) relating to the trailer fee.

**6. INVESTMENTS**

The net realized gain on the sale of investments was determined as follows:

| For the years ended December 31, | 2006 | 2005 |
|---|---|---|
| Net proceeds from the sale of securities | $ 140,795,734 | $ 172,395,454 |
| Less cost of securities sold: | | |
| Investments at cost – beginning of year | 108,980,145 | 79,286,327 |
| Investments purchased during year | 150,824,265 | 184,997,166 |
| Investments at cost – end of year | (119,612,272) | (108,980,145) |
| Cost of investments disposed of during year | 140,192,138 | 155,303,347 |
| Net realized gain on sale of investments | $ 603,596 | $ 17,092,107 |

**7. DISTRIBUTIONS**

The Fund pays out monthly cash distributions based upon cash distributions received by the Fund less estimated expenses. For the year ended December 31, 2006, the Fund also distributed a portion of its realized capital gains and/or return of capital in order to supplement distributions. In addition, the Fund declared a special unit distribution of $0.5471 per unit at December 31, 2005 with immediate consolidation of the units such that the number of units remained unchanged.

| For the years ended December 31, | 2006 | 2005 |
|---|---|---|
| Net investment income for the year | $ 8,513,369 | $ 11,127,031 |
| Add fees paid by issuance of units | 1,342,388 | 1,379,981 |
| Capital distributed (cash flow retained) | 2,908,945 | (994,156) |
| Cash distributions | $ 12,764,702 | $ 11,512,856 |
| Special unit distribution | – | 4,829,028 |
| Total distributions | $ 12,764,702 | $ 16,341,884 |
| Cash distributions per unit | $ 1.20 | $ 1.0602 |
| Special distribution per unit | – | 0.5471 |
| Total distributions per unit | $ 1.20 | $ 1.6073 |

**8. LOAN PAYABLE**

The Fund maintains a credit facility with a Canadian chartered bank for up to a maximum amount of $25 million. An amount of $16.5 million was drawn on the facility as of December 31, 2006 (December 31, 2005 – nil). The credit facility is a revolving facility that will revolve until November 15, 2007 and for a further 364 days at the option of the bank. Borrowings are collateralized by a general security agreement which provides a first floating charge over the Fund's assets. The facility bear interest at the bank's prime lending rate or at rates slightly below prime if incurred by way of bankers' acceptances.

**9. BROKER COMMISSIONS**

For the year ended December 31, 2006, the Fund paid commissions to brokers of $790,391 (2005 – $1,051,128) and they are recorded in the purchase and sale of investments.

**10. SUBSEQUENT EVENT**

On February 15, 2007, Energy Plus announced a rights offering in which unitholders of record on February 26, 2007 received one right for each trust unit held. Three rights entitled the holder to purchase one trust unit for a price of $7.00. If the offering is fully subscribed, the Fund would issue 3,254,801 trust units for net proceeds of $22.2 million.

# Corporate Information

**Administrators**
Citadel Diversified Management Ltd.
Citadel S1 Management Ltd.
Citadel TEF Management Ltd.
Citadel CPRT Management Ltd.
Citadel Series Management Ltd.
Equity Lift Management Ltd.
N.A. Energy Management Inc.
Stable Yield Management Inc.
Sustainable PE Management Inc.
Equal Weight Management Ltd.
CGF Funds Management Ltd.
CGF Resource FT Funds Management Ltd.
Suite 3500, 350 - 7th Avenue S.W.
Calgary, Alberta T2P 3N9
Telephone: (403) 261-9674
Toll Free: 1 877 261-9674
Fax: (403) 261-8670
Website: www.citadelfunds.com
Email: info@citadelfunds.com

**Investment Manager**
(CTD.un, SDL.un, CHF.un, CRT.un,
SRC.un and CSR.un)
Bloom Investment Counsel, Inc.
Suite 1710, 150 York Street
Toronto, Ontario M5H 3S5

**Investment Manager**
(EPF.un, SPU.un and CGF Resource 2006)
Galileo Equity Management Inc.
161 Bay Street, Suite 4730
Toronto, Ontario M5J 2S1

**Investment Manager**
(CPF.un)
Fiera YMG Capital Inc.
1501 McGill College Avenue, Suite 900
Montreal, Quebec H3A 3M8

**Rebalancing Advisor**
(IEP.un, EQW.un and FPR.pr.a)
Shaunessy Investment Counsel Inc.
Suite 504, 933-17th Avenue S.W.
Calgary, Alberta T2T 5R6

**Directors and Officers**
Harold P. Milavsky - Chairman of the Board
Micheline Bouchard - Director
Doug D. Baldwin - Director
Kent J. MacIntyre - Director
James T. Bruvall - Director and Chief Executive Officer
Darren K. Duncan - Chief Financial Officer

**Trustee**
Computershare Trust Company of Canada
Sixth Floor
530 - 8th Avenue S.W.
Calgary, Alberta T2P 3S8

**Custodian**
CIBC Mellon Global Securities Services Company
320 Bay Street, 6th Floor
Toronto, Ontario M5H 4A6

**Legal Counsel**
Stikeman Elliott LLP
4300 Bankers Hall West
888 - 3rd Street S.W.
Calgary, Alberta T2P 5C5

**Auditors**
PricewaterhouseCoopers LLP
3100, 111 - 5th Avenue S.W.
Calgary, Alberta T2P 5L3

**Stock Exchange Listings**
The Toronto Stock Exchange
Citadel Diversified Investment Trust units: **CTD.un**
Citadel S-1 Income Trust Fund units: **SDL.un**
Citadel HYTES Fund units: **CHF.un**
Citadel SMaRT Fund units: **CRT.un**
Citadel Premium Income Fund units: **CPF.un**
Series S-1 Income Fund units: **SRC.un**
Income & Equity Index Participation Fund units: **IEP.un**
Energy Plus Income Trust units: **EPF.un**
Citadel Stable S-1 Income Fund units: **CSR.un**
Sustainable Production Energy Trust units: **SPU.un**
Equal Weight Plus Fund units: **EQW.un**
Financial Preferred Securities Corporation shares: **FPR.pr.a**
CGF Resource 2006 Flow-Through Limited Partnership units: not listed

CITADEL
Group of Funds

Suite 3500, 350 - 7th Avenue S.W.
Calgary, Alberta T2P 3N9
Tel: (877) 261-9674 Fax: (403) 261-8670
Website: www.citadelfunds.com